

Conflict and Human Rights

Joint Advisory Committee
on the Ethics of Investment 2024

Conflict, business and supply chains


The conflicts in Israel and Palestine and in Ukraine are at the forefront of public attention and concern. Meanwhile violence continues to blight the conflict-prone states of Sudan, Democratic Republic of Congo, Haiti and Myanmar. Over the past year the Joint Advisory Committee on the Ethics of Investment (JACEI) has sought to determine how the Central Finance Board of the Methodist Church (CFB) can best engage with companies and other investment partners to promote peace.

Each conflict has distinct causes, ranging from the gang violence of El Salvador, Ecuador and Haiti, to the ethnic divisions in central Africa and the Sahel, and the struggle for democracy in Myanmar. A common dynamic of several of these conflicts is the attempt by warring parties to capture and exploit the nation's natural or human resources in order to earn hard currency and gain power. Given the prevalence of conflict in our world today, businesses are encouraged to be 'conflict aware' across their operations. This requires that companies include an assessment of the impact of their supply chains when operating in conflict prone areas. Sadly, even well-resourced multinational corporations too often resort to a shallow 'tick box' exercise.

The European Union will shortly introduce the Corporate Sustainability Due Diligence Directive. This landmark legislation will for the first time require major companies to prove they are taking action to protect the environment and human rights throughout their supply chains. Affecting both direct and indirect business relationships, the directive will require companies to seek contractual assurances on human rights from business partners, implement a protection plan and complaints procedure, and terminate relationships if human rights are violated.



The UK government has so far resisted calls from some investors to introduce similar legislation, although that could change. Instead the Government stresses its active collaboration in the implementation of the United Nations (UN) Guiding Principles on Business and Human Rights which were endorsed by the UN Human Rights Council in 2011. The UN Guiding Principles have been transformative in raising an appreciation of the respective obligations on companies and governments in difficult human rights settings.



Methodist engagement on conflict and human rights

The CFB has long engaged with companies over conflict. In the past year JACEI has advised the CFB on the revision of a policy that guides this interaction. The new policy takes a broad approach, covering scenarios such as armed combat, privatised conflicts with links to criminal enterprises, oppressive regimes and entrenched military occupations. Addressing conflict is one of the key pillars of the CFB's overarching ethical framework. The CFB expects companies to go beyond a 'do no harm' approach and urges all companies and executives to work actively towards peace. This reflects well the intentions of the UN Sustainable Development 'Goal 16'. Similarly, the Methodist Principles for Justice recognise that "God calls all people and nations actively to work for peace and justice, liberation and transformation". The key message here is that peace is not merely the absence of armed conflict but rather the building of peaceful and inclusive societies and provision for access to justice for all.

We see this approach reflected in concern for Sri Lanka which is rebuilding after years of conflict, and where discriminatory practices are rooted in decades of ethnic division. Discrimination in the labour force in tea production goes back to the colonial era. We benefit valuably from partners such as the Methodist Church Sri Lanka providing us with first-hand experience of producer communities as we tackle these issues with companies.



Methodist investments: Ukraine and Gaza

Prior to Russia's invasion of Ukraine, the CFB's exposure to Russian business was extremely small due to environmental and human rights screens that the CFB routinely employs. Similarly due to years of engagement and screening of companies with business in Israel, the CFB does not have direct investments in businesses with operations based in the occupied Palestinian territories. The newly adopted CFB policy on conflict and human rights outlines specific concerns with regard to military occupations. Under this policy, companies and banks with operations in Israel are facing further scrutiny following Israel's military operations in Gaza.



Russia and Ukraine

Targeted sanctions are often considered a necessary response to extreme state aggression such as Russia's attack on Ukraine. Companies that continue to operate in Russia indirectly support the Government through taxes paid on their profits.

This is the case for Unilever and Nestlé, who have both made the case for remaining in Russia while cutting back on investment. They cite the interests of their workers in Russia as one of the reasons for remaining in the country when many other international companies have left.

In contrast, HSBC is in the process of selling its commercial banking operations in Russia. The bank has been in discussions with CFB regarding Russia and human rights and conflict more generally, both independently and with ecumenical partners.

Kellogg's, Marks & Spencer, Yum! Group (Pizza Hut and KFC), McDonalds, Ikea, Volkswagen, Siemens and PwC all took a decision to exit Russia within the first few months of Russia's action in Ukraine.¹

¹ Not all of the companies listed here are CFB holdings.

From the Chair of the Joint Advisory Committee on the Ethics of Investment (JACEI)

This short report has focused on work around human rights and conflict. However, during 2023/24, JACEI has also advised the Central Finance Board (CFB) in a number of other ethical areas, particularly:

- beginning the discussion around media and social media platforms, and advising the CFB on its response;
- securing some commitments from HSBC and Barclays with regard to their financing of oil and gas expansion and welcoming ongoing discussions;
- continuing to oppose excessive executive remuneration and voting ecumenically as part of the Church Investors Group voting coalition.

A Summary Report on the work of JACEI is contained in the Agenda of the Methodist Conference. The full Report is available at methodist.org.uk/JACEI and at cfbmethodistchurch.org.uk

Other position papers and policy statements on ethical investment issues are available from the CFB on request.

We welcome comments and feedback on the work of JACEI and I encourage you to contact me with any questions or concerns about ethical investment and the Church.

The Revd Rachel Parkinson
Chair Joint Advisory Committee on the Ethics of Investment (JACEI)

The Joint Advisory Committee on the Ethics of Investment (JACEI) is composed of representatives appointed by the CFB and by the Methodist Council. It meets four times a year to advise the CFB on the ethical aspects of its work and monitors its decisions from an ethical standpoint.

Joint Advisory Committee on the Ethics of Investment (JACEI)

Methodist Church House, 25 Tavistock Place, London WC1H 9SF

Telephone:

020 7467 5502

Email:

jaceichair@methodistchurch.org.uk

Web:

methodist.org.uk/jacei

The Central Finance Board of the Methodist Church (CFB) is responsible for managing and investing Methodist assets. Its challenge is to make good financial returns, whilst acting in accordance with the aims of the Methodist Church. Its mission statement affirms that “we aim to construct investment portfolios which are consistent with the moral stance and teaching of the Christian faith [and] to be a Christian witness in the investment community”.

Central Finance Board of the Methodist Church (CFB)

9 Bonhill Street, London EC2A 4PE

Telephone:

020 7496 3630

Email:

invest@cfbmethodistchurch.org.uk

Web:

cfbmethodistchurch.org.uk

Contact the Revd Dr Andrew Harper on:

a.harper@epworthim.com